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Vice President - Regulatory Affairs

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

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July 27, 1993

Mr. William F. Caton, Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

RE: In the Matter of  
1993 Annual Access  
Tariff Filings

CC Docket No. 93-193

Cincinnati Bell Telephone Company

Revisions to Tariff F.C.C. No. 35

Transmittal No. 629

Dear Mr. Caton:

Enclosed for filing are the original and seven (7) copies of Cincinnati Bell Telephone Company's Direct Case in response to the Commission's Investigation Order, released June 23, 1993, in CC Docket No. 93-193.

Please date-stamp and return the enclosed duplicate copy of this letter as acknowledgement of its receipt. Questions regarding this Direct Case should be directed to the Cincinnati Bell Telephone Company.

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

In the Matter of	)	
1993 Annual Access	)	CC Docket No. 93-193
Tariff Filings	)	
	)	
Cincinnati Bell Telephone Company	)	
	)	
Revisions to Tariff F.C.C. No. 35	)	Transmittal No. 629

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DIRECT CASE

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Cincinnati Bell Telephone Company ("CBT") hereby submits its Direct Case in response to the Commission's Investigation Order, released June 23, 1993, in the above-captioned proceeding.<sup>1</sup> CBT's Direct Case demonstrates that CBT has reallocated General Support Facility ("GSF") costs in accordance with the Commission's GSF Order, released May 19, 1993, in CC Docket No. 92-222.<sup>2</sup>

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<sup>1</sup> 1993 Annual Access Tariff Filings, National Exchange Carrier Association Universal Service Fund and Lifeline Assistance Rates, GSF Order Compliance Filings, Bell Operating Companies' Tariff for the 800 Service Management System and 800 Data Base Access Tariffs, CC Docket Nos. 93-193, 93-123 and 93-129, (DA 93-762), Memorandum Opinion and Order Suspending Rates and Designating Issues for Investigation, released June 23, 1993; Erratum, released July 22, 1993 (hereinafter, the "Investigation Order").

<sup>2</sup> Amendment of the Part 69 Allocation of General Support Facility Costs, CC Docket No. 92-222, (FCC 93-238), Report and Order, released May 19, 1993 (hereinafter, the "GSF Order").

## I. BACKGROUND

CBT is a Tier 1 local exchange carrier ("LEC") subject to rate of return regulation. Because it is a rate of return carrier, many of the issues designated for price cap carriers in the Investigation Order are not applicable to CBT. Indeed, the sixth issue designated for investigation (i.e., whether the LECs have properly reallocated GSF costs in accordance with the GSF Order) is the only issue that applies to CBT.

As a Tier 1 LEC, CBT is subject to the Commission's Expanded Interconnection Order which requires LECs to make expanded interconnection for special access available to all parties who wish to terminate their own special access transmission facilities at LEC central offices.<sup>3</sup> In adopting the Expanded Interconnection Order, the Commission concluded that the only significant non-cost-based support flow imposed by its regulations affecting special access was the over-allocation of GSF costs to special access.<sup>4</sup> Rather than imposing a contribution charge to allow LECs to recover these costs from interconnectors, the Commission instead decided to amend Section 69.307 of its rules to correct the over-allocation of GSF costs to special and switched access.<sup>5</sup> Consistent therewith, the Commission issued an NPRM in which it proposed to modify Section 69.307 by deleting the

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<sup>3</sup> Expanded Interconnection with Local Telephone Company Facilities, CC Docket No. 91-141 (FCC 92-440). Report and Order and Notice of Proposed Rulemaking released

language "excluding Category 1.3". In the GSF Order, the Commission's adopted that proposal and ordered LECs to file tariffs reflecting the modification of Section 69.307 on not less than 14-days' notice, to become effective on July 1, 1993.<sup>6</sup>

On June 17, 1993, CBT filed its revised Tariff F.C.C. No. 35 (Transmittal No. 629). On June 23, 1993, the Commission released the Annual Access Order, which ordered an investigation to determine whether the LECs' tariffs are in compliance with the GSF Order.<sup>7</sup> Accordingly, the rates filed by the LECs were suspended for one day, and permitted to take effect subject to an accounting order.<sup>8</sup> In this Direct Case, CBT demonstrates that its revised

categories based on investment in central office equipment, information origination/termination equipment, and cable and wire facilities, excluding category 1.3, which is investment in common lines. As a result of the GSF Order, CBT and other LECs are now required to include the costs of category 1.3 investment in the allocation of GSF. CBT's rates reflect this rule change and, as shown in Exhibit A, CBT's revenue requirements reflect the proper shift of GSF costs from special access, local transport, local switching, information and non-access to the common line category.

The recurring rates proposed in CBT Transmittal No. 629 were developed using the methodology described in Volume 6 of CBT's 1993 Annual Access filing, Transmittal No. 623, filed April 2, 1993. Nonrecurring rates for the installation of special access, local transport and local switching services were set to zero, with the exception of nonrecurring rates for 900 access service and reconfiguration/data base changes for Customer Network Reconfiguration Service. To calculate the revised recurring rate levels, anticipated nonrecurring revenues and rate stability plan revenues were subtracted from the total revised revenue requirement of each category. Recurring rates were then developed to recover each category's remaining revenue requirement. CBT submits that the above-described methodology reallocates GSF costs in accordance with the GSF Order.

The following chart, which shows projected revenues by service category calculated at both the Annual Access filing rates proposed on April 2, 1993 and the rates proposed on June 17, 1993 in Transmittal No. 629, demonstrates that the impact of the GSF reallocation on each of CBT's major access service categories is roughly the same.

## PROJECTED REVENUE BY SERVICE CATEGORY

	Projected Revenue @ 4/2/93 <u>Rates</u>	Projected Revenue @ 6/17/93 <u>GSF Rates</u>	<u>% Change<sup>9</sup></u>
<b><u>Special Access Service Categories</u></b>			
Voice Grade	\$ 4,754,017	\$ 4,280,124	- 10.0%
DDS & High Capacity	\$14,727,547	\$13,357,508	- 9.3%
All Other	\$ 351,020	\$ 308,280	- 12.2%
Total	\$19,832,584	\$17,945,912	- 9.5%
 <b><u>Switched Access Service Categories</u></b>			
Local Transport	\$17,937,141	\$16,058,719	- 10.5%
Local Switching	\$14,813,102	\$13,252,202	- 10.3%

While CBT is not a price cap carrier, its reallocation methodology is consistent with the requirements imposed on price cap carriers by the Commission. Specifically, the Commission, in the GSF Order, cites Section 61.47 of its rules to illustrate how rates may be adjusted equitably without requiring each rate element to be adjusted by a fixed percentage

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<sup>9</sup> The percentage changes in projected revenues and recurring rates differ between access categories (e.g. special access compared to local transport) because, as can be determined from Exhibit A, the percentage changes in revenue requirements are different for each access category. These differences are caused by the fact that the allocations are based on investments, which vary by access category. However, within each particular access category, rates for all recurring rate elements were reduced by the same percentage.

amount.<sup>10</sup> CBT submits that its reallocation methodology is consistent with the intent of Section 61.47 because it ensures that the rate impact on each of CBT's major access service categories is equitable.

### III. CONCLUSION

The methodology employed by CBT in reallocating GSF costs is consistent with the GSF Order. Therefore, CBT respectfully requests an order finding the rates set forth in Transmittal No. 629 just and reasonable.

Respectfully submitted,

FROST & JACOBS

*By: [Signature] / s/ [Name]*

**CINCINNATI BELL TELEPHONE**  
**Revenue Requirement Effect of GSF Allocation Change**

**Exhibit A**

<b>Cost Elements</b>	<b>(A) Historical Annualized</b>	<b>(B) Prospective Test Period (4/2/93)</b>	<b>(C) Difference B-A</b>	<b>(D) Prospective Test Period (GSF Filing)</b>	<b>(E) Difference D-B</b>
COMMON LINE - Pay	3,274,650	3,807,091	532,441	3,802,351	(4,740)
COMMON LINE - BFP	39,657,884	42,041,866	2,383,982	47,745,476	5,703,610
TOTAL COMMON LINE	42,932,534	45,848,957	2,916,423	51,547,827	5,698,870
LOCAL SWITCH	14,910,063	14,825,270	(84,793)	13,297,556	(1,527,714)
EQUAL ACCESS	947,123	412,295	(534,828)	412,295	0
INFORMATION	3,660,618	3,131,494	(529,124)	3,102,640	(28,854)
LOCAL TRANSPORT	17,842,695	17,953,517	110,822	16,092,062	(1,861,455)
SPECIAL ACCESS	19,192,490	19,830,860	638,370	17,947,534	(1,883,326)
NON-ACCESS	14,611,261	15,041,859	430,598	14,644,338	(397,521)
TOTAL IS ACCESS	99,485,523	102,002,393	2,516,870	102,399,914	397,521
TOTAL INTERSTATE	114,096,784	117,044,252	2,947,468	117,044,252	0